

FAIRFIELD COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2008

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Fairfield Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Terry Cochran	President	2007
Margaret Dwyer	Vice President	2007
Joe Stever	Board Member	2007
Gail Miller	Board Member	2008
Doug Flournoy	Board Member	2008
Sheila Clements	Board Member	2009
Robert Waugh	Board Member	2009

Board of Education **(After September 2007 Election)**

Margaret Dwyer	President	2010
Gail Miller	Vice President	2008
Doug Flournoy	Board Member	2008
Sheila Clements	Board Member	2009
Robert Waugh	Board Member	2009
Jeri Kunkle	Board Member	2010
Ralph Messerli	Board Member	2010

School Officials

Steve Triplett	Superintendent	2008
Janne Hunsaker	District Secretary/Treasurer and Business Manager	2008
Craig Foss	Attorney	2008
Ahlers & Cooney, P.C.	Attorney	2008

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(a professional corporation)
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Fairfield Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fairfield Community School District, Fairfield, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fairfield Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 2, 2009 on our consideration of the Fairfield Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 35 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Fairfield Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for four years ended June 30, 2007 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 2, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fairfield Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$16,745,519 in fiscal 2007 to \$16,802,540 in fiscal 2008, while General Fund expenditures increased from \$16,205,068 in fiscal 2007 to \$17,140,626 in fiscal 2008. This resulted in a decrease in the District's General Fund balance from \$1,449,386 in fiscal 2007 to \$1,066,690 in fiscal 2008, a 26.40% decrease from the prior year. The District's solvency ratio decreased from 8.55% to 6.09%.
- The increase in General Fund revenues was attributable to an increase in tuition and state grant revenue in fiscal 2008. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Fairfield Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Fairfield Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Fairfield Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Fairfield Community School District Annual Financial Report

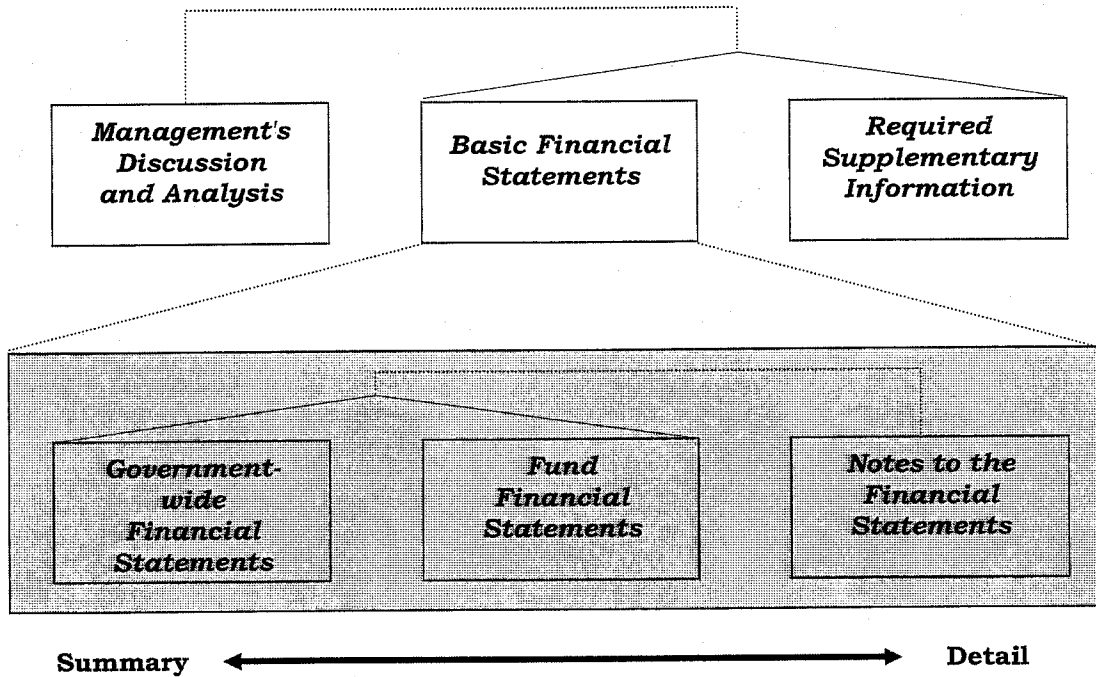


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund. The District's internal service funds, one type of proprietary fund, are the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has one internal service fund account accounting for self-funded insurance.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.

- Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.
- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 12,835,773	12,053,189	118,865	146,831	12,954,638	12,200,020	6.19%
Capital assets	8,026,513	7,926,784	129,664	120,178	8,156,177	8,046,962	1.36%
Total assets	20,862,286	19,979,973	248,529	267,009	21,110,815	20,246,982	4.27%
Long-term obligations	2,262,894	1,912,007	0	0	2,262,894	1,912,007	18.35%
Other liabilities	10,010,141	9,665,395	25,779	21,883	10,035,920	9,687,278	3.60%
Total liabilities	12,273,035	11,577,402	25,779	21,883	12,298,814	11,599,285	6.03%
Net assets:							
Invested in capital assets, net of related debt	8,026,513	7,920,421	129,664	120,178	8,156,177	8,040,599	1.44%
Restricted	255,250	229,081	0	0	255,250	229,081	11.42%
Unrestricted	307,488	253,069	93,086	124,948	400,574	378,017	5.97%
Total net assets	\$ 8,589,251	8,402,571	222,750	245,126	8,812,001	8,647,697	1.90%

The District's combined net assets increased by 1.90%, or \$164,304, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's

restricted net assets increased \$26,169 or 11.42% over the prior year. The increase was primarily a result of the increase in grant carryovers.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$22,557 or 5.97%. This increase in unrestricted net assets was a result of the increase in the Special Revenue-Management Levy fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 1,033,605	1,009,250	333,547	330,744	1,367,152	1,339,994	2.03%
Operating grants and contributions and restricted interest	2,318,781	2,310,700	342,741	328,971	2,661,522	2,639,671	0.83%
Capital grants and contributions and restricted interest	0	76,245	0	0	0	76,245	-100.00%
General revenues:							
Local tax	6,558,314	6,266,801	0	0	6,558,314	6,266,801	4.65%
Income surtax	447,054	602,670	0	0	447,054	602,670	-25.82%
Local option sales and services tax	1,134,714	1,145,037	0	0	1,134,714	1,145,037	-0.90%
Unrestricted state grants	7,858,429	7,943,301	0	0	7,858,429	7,943,301	-1.07%
Other	378,512	307,283	2,000	2,489	380,512	309,772	22.84%
Transfers	(59,977)	(143,568)	59,977	138,994	0	(4,574)	100.00%
Total revenues	19,669,432	19,517,719	738,265	801,198	20,407,697	20,318,917	0.44%
Program expenses:							
Governmental activities:							
Instruction	11,540,870	11,271,937	0	0	11,540,870	11,271,937	2.39%
Support services	6,472,561	5,958,109	3,808	29	6,476,369	5,958,138	8.70%
Non-instructional programs	66,937	0	756,833	721,770	823,770	721,770	14.13%
Other expenses	1,402,384	1,443,243	0	0	1,402,384	1,443,243	-2.83%
Total expenses	19,482,752	18,673,289	760,641	721,799	20,243,393	19,395,088	4.37%
Changes in net assets	186,680	844,430	(22,376)	79,399	164,304	923,829	-82.21%
Beginning net assets	8,402,571	7,558,141	245,126	165,727	8,647,697	7,723,868	11.96%
Ending net assets	\$ 8,589,251	8,402,571	222,750	245,126	8,812,001	8,647,697	1.90%

In fiscal 2008, property tax, income surtax and unrestricted state grants account for 75.57% of the revenue from governmental activities while charges for services and operating grants and contributions account for 91.61% of the revenue from business type activities.

The District's total revenues were approximately \$20.41 million of which \$19.67 million was for governmental activities and \$0.74 million was for business type activities.

As shown in FigureA-4, the District as a whole experienced a 0.44% increase in revenues and a 4.37% increase in expenses. The increase in expenses related to increases in the negotiated salary and benefits costs.

Governmental Activities

Revenues, net of transfers for governmental activities were \$19,669,432 and expenses were \$19,482,752.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 11,540,870	11,271,937	2.39%	8,862,534	8,594,320	3.12%
Support services	6,472,561	5,958,109	8.63%	6,471,571	5,956,422	8.65%
Non-instructional	66,937	0	100.00%	66,937	0	100.00%
Other expenses	1,402,384	1,443,243	-2.83%	729,324	726,352	0.41%
Totals	<u>\$ 19,482,752</u>	<u>18,673,289</u>	<u>4.33%</u>	<u>16,130,366</u>	<u>15,277,094</u>	<u>5.59%</u>

- The cost financed by users of the District's programs was \$1,033,605.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,318,781.
- The net cost of governmental activities was financed with \$6,558,314 in property tax, \$447,054 in income surtax, \$1,134,714 in local option sales and services tax, \$7,858,429 in unrestricted state grants and \$108,585 in interest income and \$225,378 in other general revenues.

Business-Type Activities

Revenues and transfers of the District's business-type activities were \$738,265 and expenses were \$760,641. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Fairfield Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,417,859, above last year's ending fund balances of \$1,883,569. The primary reason for the increase in combined fund balances in fiscal 2008 is due to the increase in the Capital Projects Fund.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. Increases in tuition and state grants during the year resulted in an increase in revenues. The increase in General Fund expenditures was more than the increase in General Fund revenues ensuring the decrease in financial position of the District.

-
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from a deficit \$284,180 in fiscal 2007 to a deficit \$134,305 in fiscal 2008. Revenues increased during the year while expenditures decreased during the year allowing the fund balance to increase \$149,875 during the year.
 - The Management Levy fund balance increased during the year from \$1,203,151 to \$1,578,744. This was the result of an increase in local tax revenues during the year.
 - The Capital Projects Fund balance increased from a deficit \$695,784 in 2007 to a deficit \$302,757 in 2008. The primary reason for this increase was due to the decrease in construction costs during the year.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$245,126 at June 30, 2007 to \$222,750 at June 30, 2008, representing a decrease of 9.13%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Fairfield Community School District amended its annual budget one time to reflect additional expenditures associated with instruction, support services and other expenditures functional areas.

The District's revenues were \$437,994 more than budgeted revenues, a variance of 2.19%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$8,156,177, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 1.36% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$534,301.

The original cost of the District's capital assets was \$17.05 million. Governmental funds account for \$16.71 million with the remainder of \$0.34 million in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$1,340,958 at June 30, 2007, compared to \$38,886 reported at June 30, 2008. This decrease resulted primarily from the completion of the A/C/T Center.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 149,402	149,402	0	0	149,402	149,402	0.00%
Construction in progress	38,886	1,340,958	0	0	38,886	1,340,958	-97.10%
Buildings	6,472,637	5,102,292	0	0	6,472,637	5,102,292	26.86%
Land improvements	690,758	722,451	0	0	690,758	722,451	-4.39%
Machinery and equipment	674,830	611,681	129,664	120,178	804,494	731,859	9.92%
Total	\$ 8,026,513	7,926,784	129,664	120,178	8,156,177	8,046,962	1.36%

Long-Term Debt

At June 30, 2008, the District had \$2,262,894 in other long-term debt outstanding. This represents an increase of 18.35% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding Early Retirement payable from the General and Special Revenue - Management Funds of \$2,262,894 at June 30, 2008.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
Tractor Loan	\$ 0	6,363	-100.00%
Early Retirement	2,262,894	1,905,644	18.75%
Totals	\$ 2,262,894	1,912,007	18.35%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District has experienced declining enrollment for several years. This trend is expected for a few more years, however predictions show that enrollment should stabilize sometime in the intermediate future.
- The District continues to utilize At-Risk funding and the alternative high school to provide opportunities of support for students.
- Continued budget concerns at state and federal levels will affect future projections. The District has been forced to shift funding to property taxes and possible use of federal stimulus money along with using expenditure reductions in personnel as a cost-containment tool.
- All bargaining unit contracts are one-year contracts and open for renegotiations next year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kim Sheets, District Secretary/Treasurer and Business Manager, Fairfield Community School District, 403 South 20th Street, Fairfield, Iowa, 52556-2996.

BASIC FINANCIAL STATEMENTS

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 4,395,362	78,428	4,473,790
Receivables:			
Property tax:			
Delinquent	110,979	0	110,979
Succeeding year	7,389,985	0	7,389,985
Income surtax	381,230	0	381,230
Accounts	3,654	0	3,654
Due from other governments	554,563	766	555,329
Inventories	0	39,671	39,671
Capital assets, net of accumulated depreciation(Note 4)	8,026,513	129,664	8,156,177
Total Assets	20,862,286	248,529	21,110,815
Liabilities			
Accounts payable	557,563	18,242	575,805
Salaries and benefits payable	1,533,480	780	1,534,260
Anticipatory warrants(Note 5)	529,113	0	529,113
Deferred revenue:			
Succeeding year property tax	7,389,985	0	7,389,985
Unearned revenues	0	6,757	6,757
Long-term liabilities(Note 6):			
Portion due within one year:			
Early retirement payable	489,244	0	489,244
Portion due after one year:			
Early retirement payable	1,773,650	0	1,773,650
Total Liabilities	12,273,035	25,779	12,298,814
Net Assets			
Invested in capital assets	8,026,513	129,664	8,156,177
Restricted for:			
Talented and gifted	18,177	0	18,177
Beginning teacher mentoring	687	0	687
Additional teacher contract day	1,008	0	1,008
Professional development	706	0	706
Market factor	14,039	0	14,039
Market factor incentives	10,970	0	10,970
Non-public textbook	176	0	176
Other special revenue purposes	209,487	0	209,487
Unrestricted	307,488	93,086	400,574
Total Net Assets	\$ 8,589,251	222,750	8,812,001

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Governmental activities:					
Instruction:					
Regular instruction	\$ 7,371,620	428,888	1,532,362	(5,410,370)	0
Special instruction	2,336,230	90,637	113,359	(2,132,234)	0
Other instruction	1,833,020	513,090	0	(1,319,930)	0
	11,540,870	1,032,615	1,645,721	(8,862,534)	0
Support services:					
Student services	485,195	0	0	(485,195)	0
Instructional staff services	800,324	0	0	(800,324)	0
Administration services	2,338,785	0	0	(2,338,785)	0
Operation and maintenance of plant services	1,839,845	0	0	(1,839,845)	0
Transportation services	1,008,412	990	0	(1,007,422)	0
	6,472,561	990	0	(6,471,571)	0
Non-instructional programs:					
Food service operations	66,937	0	0	(66,937)	0
Other expenditures:					
Facilities acquisitions	393,121	0	0	(393,121)	0
Long-term debt interest	148	0	0	(148)	0
AEA flowthrough	673,060	0	673,060	0	0
Depreciation(unallocated)*	336,055	0	0	(336,055)	0
	1,402,384	0	673,060	(729,324)	0
Total governmental activities	19,482,752	1,033,605	2,318,781	(16,130,366)	0
Business-Type activities:					
Support services					
Administration	3,808	0	0	0	(3,808)
Non-instructional programs:					
Nutrition services	756,833	333,547	342,741	0	(80,545)
	760,641	333,547	342,741	0	(84,353)
Total	\$ 20,243,393	1,367,152	2,661,522	(16,130,366)	(84,353)
General Revenues and Transfers:					
General Revenues:					
Property tax levied for:					
General purposes				\$ 6,255,397	0
Capital outlay				302,917	0
Income surtax				447,054	0
Local option sales and services tax				1,134,714	0
Unrestricted state grants				7,858,429	0
Unrestricted investment earnings				108,585	2,000
Other general revenues				225,378	0
Sale of equipment				44,549	0
Transfers				(59,977)	59,977
					0
Total general revenues and transfers				16,317,046	61,977
Changes in net assets				186,680	(22,376)
Net assets beginning of year				8,402,571	245,126
Net assets end of year				\$ 8,589,251	222,750

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Special Revenue - Management Levy	Other Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 2,596,353	2	1,560,541	211,923	4,368,819
Receivables:					
Property tax					
Delinquent	87,717	0	18,203	5,059	110,979
Succeeding year	5,905,604	0	1,141,667	342,714	7,389,985
Income surtax	381,230	0	0	0	381,230
Accounts	1,401	2,253	0	0	3,654
Due from other governments	361,106	193,457	0	0	554,563
Total Assets	\$ 9,333,411	195,712	2,720,411	559,696	12,809,230
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 446,407	104,591	0	6,565	557,563
Salaries and benefits payable	1,533,480	0	0	0	1,533,480
Anticipatory warrants (Note 5)	0	393,878	0	135,235	529,113
Deferred revenue:					
Succeeding year property tax	5,905,604	0	1,141,667	342,714	7,389,985
Income surtax	381,230	0	0	0	381,230
Total liabilities	8,266,721	498,469	1,141,667	484,514	10,391,371
Fund balances:					
Reserved for:					
Talented and gifted	18,177	0	0	0	18,177
Beginning teacher mentoring	687	0	0	0	687
Additional teacher contract day	1,008	0	0	0	1,008
Professional development	706	0	0	0	706
Market factor	14,039	0	0	0	14,039
Market factor incentives	10,970	0	0	0	10,970
Non-public textbook	176	0	0	0	176
Unreserved fund balances	1,020,927	(302,757)	1,578,744	75,182	2,372,096
Total fund balances	1,066,690	(302,757)	1,578,744	75,182	2,417,859
Total Liabilities and Fund Balances	\$ 9,333,411	195,712	2,720,411	559,696	12,809,230

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2008

Total fund balances of governmental funds (page 16)	\$ 2,417,859
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	8,026,513
Blending of the Internal Service Fund to be reflected on an entity-wide basis.	26,543
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	381,230
Long-term liabilities, including early retirement payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(2,262,894)
Net assets of governmental activites (page 14)	<u>\$ 8,589,251</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Special Revenue - Management Levy	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax:	\$ 5,721,893	1,134,714	1,075,865	302,917	8,235,389
Tuition	519,525	0	0	0	519,525
Other	340,195	59,860	59,019	388,969	848,043
State sources	9,502,983	0	648	184	9,503,815
Federal sources	673,395	0	0	0	673,395
Total revenues	16,757,991	1,194,574	1,135,532	692,070	19,780,167
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	6,983,901	0	379,574	0	7,363,475
Special instruction	2,313,137	0	23,093	0	2,336,230
Other instruction	1,397,789	0	44,753	390,478	1,833,020
	10,694,827	0	447,420	390,478	11,532,725
Support services:					
Student services	481,392	0	39,789	0	521,181
Instructional staff services	801,897	0	26,324	0	828,221
Administration services	1,908,753	24,000	23,675	10,829	1,967,257
Operation and maintenance of plant services	1,679,870	0	158,072	0	1,837,942
Transportation services	900,827	0	40,579	142,397	1,083,803
	5,772,739	24,000	286,439	153,226	6,238,404
Non-instructional programs:					
Food service operations	0	0	6,747	0	6,747
Other expenditures:					
Facilities acquisitions	0	777,547	0	0	777,547
Long-term debt:					
Principal	0	0	0	6,363	6,363
Interest and fiscal charges	0	0	0	148	148
AEA flowthrough	673,060	0	0	0	673,060
	673,060	777,547	0	6,511	1,457,118
Total expenditures	17,140,626	801,547	742,606	550,215	19,234,994
Excess(deficiency) of revenues over(under) expenditures	(382,635)	393,027	392,926	141,855	545,173
Other financing sources(uses):					
Transfers in	17,333	0	0	6,511	23,844
Transfers out	(61,943)	0	(17,333)	0	(79,276)
Sale of equipment	44,549	0	0	0	44,549
Total other financing sources(uses)	(61)	0	(17,333)	6,511	(10,883)
Net change in fund balances	(382,696)	393,027	375,593	148,366	534,290
Fund balances beginning of year	1,449,386	(695,784)	1,203,151	(73,184)	1,883,569
Fund balances end of year	\$ 1,066,690	(302,757)	1,578,744	75,182	2,417,859

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds (page 18) \$ 534,290

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 615,107	
Depreciation expense	<u>(515,378)</u>	99,729

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.		6,363
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Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis.		(1,145)
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Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		(95,307)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Early retirement		<u>(357,250)</u>

Changes in net assets of governmental activities (page 15)		<u>\$ 186,680</u>
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SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	Business-Type	
	Activities:	Governmental
	Enterprise	Activities:
	Fund	Internal
	School	Service
	Nutrition	Fund
Assets		
Cash and pooled investments	\$ 78,428	26,543
Accounts receivable	16	0
Due from other governments	750	0
Inventories	39,671	0
Capital assets, net of accumulated depreciation (Note 4)	129,664	0
Total Assets	248,529	26,543
Liabilities		
Accounts payable	18,242	0
Salaries and benefits payable	780	0
Unearned revenues	6,757	0
Total Liabilities	25,779	0
Net Assets		
Invested in capital assets	129,664	0
Unrestricted	93,086	26,543
Total Net Assets	\$ 222,750	26,543

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	Business-Type	
	Activities:	Governmental
	Enterprise	Activities:
	Fund	Internal
	School	Service
	Nutrition	Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 333,547	93,087
TOTAL OPERATING REVENUES	333,547	93,087
OPERATING EXPENSES:		
Support services:		
Administration		
Benefits	0	94,232
Services	3,808	0
	3,808	94,232
Non-instructional programs:		
Food service programs:		
Salaries	262,583	0
Benefits	97,165	0
Services	478	0
Supplies	377,684	0
Depreciation	18,923	0
	756,833	0
TOTAL OPERATING EXPENSES	760,641	94,232
OPERATING LOSS	(427,094)	(1,145)
NON-OPERATING REVENUES:		
State sources	8,430	0
Federal sources	334,311	0
Interest income	2,000	0
TOTAL NON-OPERATING REVENUES	344,741	0
Change in net assets before other financing sources	(82,353)	(1,145)
Other financing sources:		
Capital contributions	4,545	0
Transfer in	55,432	0
Total other financing sources	59,977	0
Change in net assets	(22,376)	(1,145)
Net assets beginning of year	245,126	27,688
Net assets end of year	\$ 222,750	26,543

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	Business-Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 330,397	0
Cash received from miscellaneous operating activities	3,774	93,087
Cash payments to employees for services	(360,437)	(94,232)
Cash payments to suppliers for goods or services	(331,854)	0
Net cash used in operating activities	(358,120)	(1,145)
Cash flows from non-capital financing activities:		
State grants received	8,430	0
Federal grants received	281,697	0
Transfers from the general fund	55,432	0
Net cash provided by non-capital financing activities	345,559	0
Cash flows from capital financing activities:		
Acquisition of capital assets	(23,864)	0
Cash flows from investing activities:		
Interest on investment	2,000	0
Net decrease in cash and cash equivalents	(34,425)	(1,145)
Cash and cash equivalents at beginning of year	112,853	27,688
Cash and cash equivalents at end of year	\$ 78,428	26,543
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (427,094)	(1,145)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	51,864	0
Depreciation	18,923	0
Increase in inventories	(5,702)	0
Increase in accounts receivable	(7)	0
Increase in accounts payable	3,954	0
Decrease in salaries and benefits payable	(689)	0
Increase in unearned revenue	631	0
Net cash used in operating activities	(358,120)	(1,145)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and investments	\$ 78,428	26,543

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued of \$51,864.

During the year ended June 30, 2008, the District received capital contributions from the General Fund of \$4,545.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Private Purpose Trust	
	Scholarships	Agency
Assets		
Cash and pooled investments	\$ 1,984	4,807
Due from other groups	0	360
Total Assets	<u>1,984</u>	<u>5,167</u>
Liabilities		
Due to other groups	<u>0</u>	<u>5,167</u>
Net Assets		
Restricted for scholarships	<u>\$ 1,984</u>	<u>0</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions	<u>\$ 0</u>
Deductions	<u>0</u>
Change in net assets	0
Net assets beginning of year	<u>1,984</u>
Net assets end of year	<u><u>\$ 1,984</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The Fairfield Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Fairfield, Iowa, and the predominate agricultural territory in Van Buren, Washington, Henry, Wapello, and Jefferson Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Fairfield Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Fairfield Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Van Buren, Washington, Henry, Wapello, and Jefferson Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Special Revenue - Management Levy Fund is utilized to account for the payment of property insurance and early retirement benefits.

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is

used to account for the District's self-funded health insurance plan.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets help by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the

District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following

fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Land improvements	2,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balance - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of

deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Iowa Schools Joint Investment Trust	\$ 9,681

(3) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	General	\$ 6,511
Enterprise - School Nutrition	General	55,432
General	Special Revenue, Management Levy	17,333
Total		\$ 79,276

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 314,168	28,409	680	341,897
Less accumulated depreciation	193,990	18,923	680	212,233
Business-type activities capital assets, net	\$ 120,178	9,486	0	129,664

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 149,402	0	0	149,402
Construction in progress	1,340,958	226,293	1,528,365	38,886
Total capital assets not being depreciated	1,490,360	226,293	1,528,365	188,288
Capital assets being depreciated:				
Buildings	10,772,149	1,637,733	0	12,409,882
Land improvements	952,693	13,645	22,000	944,338
Machinery and equipment	3,092,872	265,801	190,719	3,167,954
Total capital assets being depreciated	14,817,714	1,917,179	212,719	16,522,174
Less accumulated depreciation for:				
Buildings	5,669,857	267,388	0	5,937,245
Land improvements	230,242	45,338	22,000	253,580
Machinery and equipment	2,481,191	202,652	190,719	2,493,124
Total accumulated depreciation	8,381,290	515,378	212,719	8,683,949
Total capital assets being depreciated, net	6,436,424	1,401,801	0	7,838,225
Governmental activities capital assets, net	\$ 7,926,784	1,628,094	1,528,365	8,026,513

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 26,509
Support services:	
Instructional staff	5,934
Administration	725
Operation and maintenance	19,493
Transportation	126,662
	179,323
Unallocated depreciation	336,055
Total governmental activities depreciation expense	\$ 515,378
Business-type activities:	
Food services	\$ 18,923

(5) Anticipatory Warrants

Anticipatory warrant activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year
Special Revenue - Physical Plant and Equipment Levy	\$ 198,300	222,339	285,404	135,235
Capital Projects	671,759	695,203	973,084	393,878
	<u>\$ 870,059</u>	<u>917,542</u>	<u>1,258,488</u>	<u>529,113</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Tractor Loan	\$ 6,363	0	6,363	0	0
Early Retirement	1,905,644	852,322	495,072	2,262,894	489,244
Total	<u>\$ 1,912,007</u>	<u>852,322</u>	<u>501,435</u>	<u>2,262,894</u>	<u>489,244</u>

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application within a seven-year window of eligibility. This application is required to be approved by the Board of Education. The district will pay the retiree a monthly payment beginning the first month of retirement and continuing for a maximum of 84 months. The early retirement incentive for each eligible employee is equal to .020 times the annual salary received by the retiree during the fiscal year immediately preceding retirement. "Annual salary" refers to compensation which the retiree received under Schedule A of the Master Contract, between the Fairfield Community School District and the Fairfield Community Education Association, the annual salary for administrators, and the annual salary for non-certified staff. It excludes all supplemental pay, extra-duty pay and extended contract pay. Early retirement benefits paid during the year ended June 30, 2008, totaled \$495,072.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$638,236, \$589,195 and \$569,192 respectively, equal to the required contributions for each year.

(8) Risk Management

Fairfield Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$673,060 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Deficit Fund Balance

The Special Revenue - Physical Plant and Equipment Levy (PPEL) Fund and the Capital Projects Fund had deficit undesignated fund balances of \$134,305 and \$302,757 at June 30, 2008.

(11) Construction Commitment

The District has entered into various contracts totaling \$303,062. As of June 30, 2008, costs of \$38,886 had been incurred against the contracts. The balance of \$264,176 remaining at June 30, 2008 will be paid as work on the projects progresses.

REQUIRED SUPPLEMENTARY INFORMATION

FAIRFIELD COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 9,602,957	335,547	9,938,504	9,630,015	9,630,015	308,489
State sources	9,503,815	8,430	9,512,245	9,468,974	9,468,974	43,271
Federal sources	673,395	334,311	1,007,706	921,472	921,472	86,234
Total revenues	19,780,167	678,288	20,458,455	20,020,461	20,020,461	437,994
Expenditures:						
Instruction	11,532,725	0	11,532,725	11,705,681	12,025,462	492,737
Support services	6,238,404	3,808	6,242,212	5,946,561	6,436,576	194,364
Non-instructional programs	6,747	756,833	763,580	887,990	887,990	124,410
Other expenditures	1,457,118	0	1,457,118	1,511,152	1,636,086	178,968
Total expenditures	19,234,994	760,641	19,995,635	20,051,384	20,986,114	990,479
Excess(deficiency) of revenues over(under) expenditures	545,173	(82,353)	462,820	(30,923)	(965,653)	1,428,473
Other financing sources,net	(10,883)	59,977	49,094	4	4	49,090
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	534,290	(22,376)	511,914	(30,919)	(965,649)	1,477,563
Balance beginning of year	1,883,569	245,126	2,128,695	700,284	700,284	1,428,411
Balance end of year	\$ 2,417,859	222,750	2,640,609	669,365	(265,365)	2,905,974

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$934,730.

OTHER SUPPLEMENTARY INFORMATION

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

	Special Revenue Funds		
	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds
Assets			
Cash and pooled investments	\$ 211,921	2	211,923
Receivables:			
Property tax			
Delinquent	0	5,059	5,059
Succeeding year	0	342,714	342,714
Total Assets	\$ 211,921	347,775	559,696
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 2,434	4,131	6,565
Anticipatory warrants (Note 5)	0	135,235	135,235
Deferred revenue:			
Succeeding year property tax	0	342,714	342,714
Total liabilities	2,434	482,080	484,514
Fund balances:			
Unreserved fund balances	209,487	(134,305)	75,182
Total Liabilities and Fund Balances	\$ 211,921	347,775	559,696

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	Special Revenue Funds			Total
	Physical	Total		Other
	Plant and	Special		Nonmajor
	Student	Equipment	Revenue	Debt
	Activity	Levy	Funds	Service
				Governmental
				Funds
REVENUES:				
Local sources:				
Local tax	\$ 0	302,917	302,917	0
Other	388,969	0	388,969	0
State sources	0	184	184	0
TOTAL REVENUES	388,969	303,101	692,070	0
EXPENDITURES:				
Current:				
Instruction:				
Other instruction	390,478	0	390,478	0
Support services:				
Administration services	0	10,829	10,829	0
Transportation services	0	142,397	142,397	0
	0	153,226	153,226	0
Other expenditures:				
Long-term debt:				
Principal	0	0	0	6,363
Interest and fiscal charges	0	0	0	148
	0	0	0	6,511
TOTAL EXPENDITURES	390,478	153,226	543,704	6,511
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	(1,509)	149,875	148,366	(6,511)
Other financing sources:				
Transfers in	0	0	0	6,511
Net change in fund balance	(1,509)	149,875	148,366	0
Fund balance beginning of year	210,996	(284,180)	(73,184)	0
Fund balance end of year	\$ 209,487	(134,305)	75,182	0

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS Drama	\$ 1,043	7,398	6,082	2,359
MS Drama	4,421	1,705	3,254	2,872
HS Vocal Music	4,472	14,060	8,269	10,263
MS Vocal Music	2,854	895	0	3,749
HS Band 1000	10,483	20,560	16,274	14,769
MS Band	1,838	5,462	7,216	84
HS Band Inst Rent	0	382	382	0
HS Musical	8,439	9,178	7,511	10,106
HS Athletics	18,894	139,402	129,964	28,332
MS Athletics	80	4,439	4,176	343
Libertyville	1,340	1,296	702	1,934
Lincoln	4,452	554	3,305	1,701
Lockridge	0	653	653	0
Pence	5,539	10,268	12,341	3,466
Washington	4,404	6,962	8,883	2,483
MS Library	1,074	1,911	2,785	200
MS Student Council	1,701	418	160	1,959
MS Pop/Juice	1,378	6,682	6,254	1,806
MS Activity Ticket	3,391	1,365	4,756	0
MS Ice Cream	1,102	2,680	2,644	1,138
MS Cheerleader Org.	2,138	50	0	2,188
MS Yearbook	4,640	1,398	2,199	3,839
MS Interest	1,906	0	1,906	0
HS CD/Interest	4,801	7,816	12,617	0
MS Environment	238	345	583	0
HS FBLA Club	1,333	5,177	4,344	2,166
HS FCA Club	6,953	0	166	6,787
HS Ice Cream	1,430	0	0	1,430
HS Concessions	1,854	17,753	17,277	2,330
HS Cheerleaders	279	941	1,220	0
HS Los Gringos	4,021	2,547	3,835	2,733
HS FFA	7,091	37,156	40,654	3,593
HS FHA	3,044	0	0	3,044
HS Dance-Drill	52	2,363	2,415	0
HS Library	1,187	0	1,187	0
HS Quill	11,396	12,054	8,502	14,948
HS Science Club	1,309	0	0	1,309
HS Student Council	20,025	9,120	6,801	22,344
HS Resource	5,370	182	81	5,471
HS Torch Club	1,518	0	143	1,375

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
HS Troy Banner Org.	1,055	326	0	1,381
HS SADD Club	1,659	454	0	2,113
HS Young Farmers Org.	2,025	0	2,025	0
HS Vica Club	828	281	717	392
HS Student Assembly	5,560	0	0	5,560
HS Student Act/Ath	14,975	250	15,225	0
HS Class 2011 Org.	(40)	2,729	451	2,238
HS Class 2010 Org.	1,501	1,440	0	2,941
HS Class 2009 Org.	2,419	1,689	1,186	2,922
HS Class 2008 Org.	1,620	150	1,770	0
HS Class 2007 Org.	1,590	1,946	3,536	0
Wall of Honor	3,513	454	970	2,997
HS Pep Club	451	136	9	578
HS Career Club	1,540	0	1,040	500
HS French Club	4,010	300	0	4,310
HS Stud. Welfare	2,567	4,045	945	5,667
HS Speech/Forensics	557	16,476	11,039	5,994
HS Thespians	0	255	255	0
HS Act. Ticket	0	15,260	15,260	0
HS Renaissance	6,748	8,895	5,798	9,845
Home School Assist.	0	711	711	0
HS Art Club	928	0	0	928
Total	\$ 210,996	388,969	390,478	209,487

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2008

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>ADMINISTRATOR</u>				
ASSETS				
Cash and pooled investments	\$ 221	0	0	221
LIABILITIES				
Due to other groups	\$ 221	0	0	221
<u>ALUMNI</u>				
ASSETS				
Cash and pooled investments	\$ 636	0	0	636
LIABILITIES				
Due to other groups	\$ 636	0	0	636
<u>HIGH SCHOOL FACULTY</u>				
ASSETS				
Cash and pooled investments	\$ 146	251	79	318
LIABILITIES				
Due to other groups	\$ 146	251	79	318
<u>ATHLETIC TOURNAMENT</u>				
ASSETS				
Cash and pooled investments	\$ 805	3,950	3,950	805
LIABILITIES				
Due to other groups	\$ 805	3,950	3,950	805
<u>STUDENT INSURANCE</u>				
ASSETS				
Cash and pooled investments	\$ (360)	640	640	(360)
Due from other groups	0	360	0	360
NET ASSETS	\$ (360)	1,000	640	0
LIABILITIES				
Due to other groups	\$ (360)	1,000	640	0

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2008

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>HS MEMORIAL</u>				
ASSETS				
Cash and pooled investments	\$ 15,278	1,554	13,645	3,187
LIABILITIES				
Due to other groups	\$ 15,278	1,554	13,645	3,187
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and pooled investments	\$ 16,726	6,395	18,314	4,807
Due from other groups	0	360	0	360
NET ASSETS	\$ 16,726	6,755	18,314	5,167
LIABILITIES				
Due to other groups	\$ 16,726	6,755	18,314	5,167

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 8,235,389	7,954,199	7,248,837	6,376,510	6,252,144
Tuition	519,525	450,666	378,510	325,494	365,228
Other	848,043	865,867	635,419	665,816	539,195
State sources	9,503,815	9,335,591	8,974,692	8,537,210	7,883,952
Federal sources	673,395	994,655	827,013	751,011	738,468
Total	\$ 19,780,167	19,600,978	18,064,471	16,656,041	15,778,987
Expenditures:					
Instruction:					
Regular instruction	\$ 7,363,475	6,774,222	6,519,414	6,078,027	6,212,554
Special instruction	2,336,230	2,341,124	2,234,394	2,073,310	2,216,619
Other instruction	1,833,020	1,773,791	1,480,291	1,633,795	942,069
Support services:					
Student services	521,181	496,424	517,807	314,393	493,244
Instructional staff services	828,221	921,414	990,180	889,753	654,740
Administration services	1,967,257	1,866,971	1,796,049	1,767,470	1,562,814
Operation and maintenance of plant services	1,837,942	1,638,688	1,664,539	1,578,778	1,483,756
Transportation services	1,083,803	985,203	908,404	901,805	770,661
Central support services	0	0	0	0	3,279
Non-instructional programs	6,747	4,427	7,161	111,196	98,757
Other expenditures:					
Facilities acquisitions	777,547	2,492,954	493,932	35,741	54,606
Long-term debt:					
Principal	6,363	6,099	68,747	79,331	76,273
Interest and other charges	148	411	1,769	4,233	7,291
AEA flow-through	673,060	640,646	614,109	590,231	579,419
Total	\$ 19,234,994	19,942,374	17,296,796	16,058,063	15,156,082

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2008

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
DEPARTMENT OF EDUCATION:			
FUND FOR THE IMPROVEMENT OF EDUCATION(CAROL M. WHITE PHYSICAL EDUCATION PROGRAM)	84.215	FY 08	\$ 56,714
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 08	35,285
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 08	298,276 *
			<u>333,561</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	2169-G	<u>246,871</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 08	<u>31,376</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 08	<u>8,557</u>
STATE GRANTS FOR INNOVATIVE PROGRAMS	84.298	FY 08	<u>3,548</u>
ENHANCING EDUCATION THROUGH TECHNOLOGY	84.318	FY 08	<u>7,511</u>
ADVANCED PLACEMENT PROGRAM	84.330	FY 08	<u>270</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 08	<u>110,600</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 08	<u>13,146</u>

FAIRFIELD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2008

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (INSTRUCTIONAL DECISION MAKING)	84.027	FY 08	<u>13,743</u>
SPECIAL EDUCATION - GRANTS TO STATES (EVERY LEARNER INQUIRIES)	84.027	FY 08	<u>500</u>
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 08	<u>113,359</u>
OFFICE OF AIR AND RADIATION:			
ENVIRONMENTAL PROTECTION AGENCY:			
SOLID WASTE MANAGEMENT ASSISTANCE GRANTS (REHAB THE LAB)	66.808	FY 08	<u>1,800</u>
TOTAL			<u>\$ 941,556</u>

*Includes \$51,864 of non-cash awards.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Fairfield Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Fairfield Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Fairfield Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 2, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fairfield Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Fairfield Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fairfield Community School District's internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Fairfield Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Fairfield Community School District's financial statements that is more than inconsequential will not be prevented or detected by Fairfield Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Fairfield Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fairfield Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Fairfield Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Fairfield Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Fairfield Community School District and other parties to whom Fairfield Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Fairfield Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 2, 2009

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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Fairfield Community School District:

Compliance

We have audited the compliance of Fairfield Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Fairfield Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Fairfield Community School District's management. Our responsibility is to express an opinion on Fairfield Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fairfield Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Fairfield Community School District's compliance with those requirements.

In our opinion, Fairfield Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Fairfield Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Fairfield Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fairfield Community School District's internal control over compliance.

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A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Fairfield Community School District and other parties to whom Fairfield Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

March 2, 2009

FAIRFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
 - Clustered Programs:
 - CDFA Number 10.553 - School Breakfast Program
 - CDFA Number 10.555 - National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Fairfield Community School District qualified as a low-risk auditee.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

- II-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that in the Student Activity Fund the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as practical.

Conclusion - Response accepted.

- II-B-08 Student Activity Fund - During our audit issues arose about the properness of certain expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281--12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear the some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended. More specific examples of these instances of questioned items and recommendations are as follows:

Currently there is a library account that needs to be closed and transferred to the General Fund where the expenditures can legally occur.

We noted that the shop class is doing oil changes out of the Student Activity Fund. This would be more appropriate in the General Fund.

We noted a Wal-Mart grant receipted into the Student Activity Fund. This should be receipted into the General Fund.

Response - High school administration will investigate the balance in the library account and will transfer the balance to the General Fund if appropriate. Future purchases of library books will be made out of the General Fund.

High school administration will also investigate the practice of the high school shop class doing oil changes. Future transactions will be deposited into the General Fund.

High school administration will deposit grant receipts, including Wal-Mart grants into the General Fund.

Conclusion - Response accepted.

II-C-08 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchase process, however many of the purchase orders are actually completed after the product has been ordered and at times may be completed after the receipt of the products.

Recommendation - The advantage of using a purchase order system is that the approvals of the items being purchased are noted prior to the ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring the actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although Districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before the ordering of the supplies takes place.

Response - Procedures will be monitored to insure that purchase orders are approved prior to orders being placed or supplies being purchased.

Conclusion - Response accepted.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

FAIRFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed the amount budgeted.

IV-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-08 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Amy Megrath, Teacher Spouse owns Megrath Enterprises	Purchased Services	\$6,067

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with spouse of the District's employee does not appear to represent a conflict of interest.

IV-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-08 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students reported on Line 1 was overstated by 0.7 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District has contacted the Iowa Department of Education and the Department of Management

Conclusion - Response accepted.

IV-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-J-08 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations which have been outstanding for over a year.

Recommendation - The District should determine if the outstanding checks should be reissued, voided, or submitted to the State as unclaimed property. If the checks are submitted as unclaimed property, the District must do so annually before November 1st as required by Chapter 556.1(10) and 556.11 of the Code of Iowa.

Response - Outstanding checks will be investigated to determine if duplicates need to be issued. The District will monitor outstanding checks in a more timely basis in the future to avoid carrying unclaimed property.

Conclusion - Response accepted.

IV-K-08 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - The bank has been contacted and is supplying copies of the back of checks.

Conclusion - Response accepted.

IV-L-08 Authorized Check Signatures - We noted instances of checks written from the Student Activity Fund having only one signature. It was also noted that the Board President and Board Secretary are not signing these checks.

Recommendation - The Board President and Board Secretary are to sign all checks written by the District to be in compliance with Chapter 291.1 and 291.8 of the Code of Iowa. The Board President can designate an authorized signer other than himself; however, the Board Secretary may not delegate this duty.

Response - District practice currently includes the high school provide two signatures on Activity Fund checks: a secretary and the high school principal. The District will look at available options.

Conclusion - Response acknowledged. The Board President and Board Secretary are to sign all checks written by the District to be in compliance with Chapter 291.1 and 291.8 of the Code of Iowa.

IV-M-08 Financial Condition - The District had a deficit undesignated fund balance in the Special Revenue - Physical Plant Equipment Levy fund and Capital Projects fund of \$134,305 and \$302,757, respectively.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits. The District should consider a workout plan to bring the PPEL and Capital Projects funds to a solvent position.

Response - The District will monitor expenditures in the PPEL and Capital Projects Funds, working towards a solvent position.

Conclusion - Response accepted.